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Ninth progress report on the adoption of the International Public Sector Accounting Standards by the United Nations

Report of the Secretary-General

Summary

The ninth progress report of the Secretary-General on the International Public Sector Accounting Standards (IPSAS) focuses on IPSAS sustainability and details the ongoing work to support the five pillars identified as central to the long-term sustainability of IPSAS compliance. In particular, the report addresses the strengthening of internal controls, IPSAS benefits realization and the strengthening of Umoja as the backbone for IPSAS-compliant accounting and reporting. The report also introduces the plan to institutionalize the United Nations IPSAS project by 31 December 2017. At the United Nations system-wide level, the report sets out the efforts to achieve increased harmonization of IPSAS-compliant accounting and reporting across United Nations system organizations, as well as collaboration platforms and tools to share information and best practices.

The United Nations Secretariat became IPSAS-compliant in 2014, both for peacekeeping and non-peacekeeping operations. The second round of IPSAS-compliant financial statements (2015) was produced with a combination of Umoja, legacy systems and manual processes. The 2016 financial statements will be produced largely from Umoja, except for equipment and inventory in field missions, for which related information will continue to be sourced from Galileo records.

In July 2015, the Management Committee endorsed a five-pillar plan to support IPSAS sustainability, which is aimed at ensuring that IPSAS compliance can be maintained, and to support the use of IPSAS-triggered information to better manage the Organization. Progress has been made in introducing a Statement on Internal Controls, the ongoing work on the IPSAS policy framework, corporate guidance and the Finance Manual, the management of IPSAS benefits and the deployment of Umoja to support asset accounting in field missions. The IPSAS team is driving the implementation of the sustainability plan and the residual functions of the team will be institutionalized by the end of 2017.

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I. Introduction

1. In 2006, the General Assembly, by its resolution 60/283, approved the adoption of the International Public Sector Accounting Standards (IPSAS) for presentation of the financial statements of the United Nations. Beginning in 2008, the Secretary-General has submitted annual progress reports (A/62/806, A/64/355, A/65/308, A/66/379, A/67/344, A/68/351, A/69/367 and A/70/329) on IPSAS adoption to the General Assembly.

2. As at the end of 2014, the United Nations Secretariat and all United Nations system organizations had presented IPSAS-compliant financial statements. At the Secretariat, all the financial statements for 2014 and the 2015 financial statements for the peacekeeping operations received unqualified audit opinions; the audits of the 2015 non-peacekeeping financial statements are still in progress, but the indications are that the audit opinions will be unqualified.

3. As the Organization changed to IPSAS-compliant accounting and reporting, major changes included recognition of property, plant and equipment, inventories, intangible assets, employee benefit liabilities and liabilities for claims against the Organization; investments were marked to market and allowance accounts were created against doubtful accounts receivables. Regarding revenue, the Organization recognized revenue from in-kind contributions and changed the revenue recognition point for non-exchange revenue from receipt of funds to signature of the arrangements. Expenses are now recorded in the financial statements when goods and/or services have been received, not when commitments have been made, and depreciation expense is recorded to show the consumption of the service potential of assets that have been capitalized.

4. Regarding note disclosures in the financial statements, some of the new areas include segment reporting, reporting of explanations of material budget versus actual variances, reporting on key management personnel, reporting on details of employee benefit liabilities, reporting on details of the lifecycle of property, plant and equipment and reporting on investment risks. This new information triggered by the move to IPSAS-compliance is progressively being used in decision-making.

5. The present report outlines progress in the post-IPSAS implementation phase and focuses on the sustainability of IPSAS compliance at the Secretariat and throughout the United Nations system during the period from 1 September 2015 to 31 August 2016.

6. In addition, the report details ongoing work in the five pillars identified as central to the long-term sustainability of IPSAS compliance; the five pillars were detailed in the IPSAS sustainability plan approved by the Management Committee in July 2015. The progress made at the United Nations Secretariat is set out in section II below, followed by system-wide progress in section III, the streamlining of IPSAS processes in section IV and actions to be taken by the General Assembly in section V.

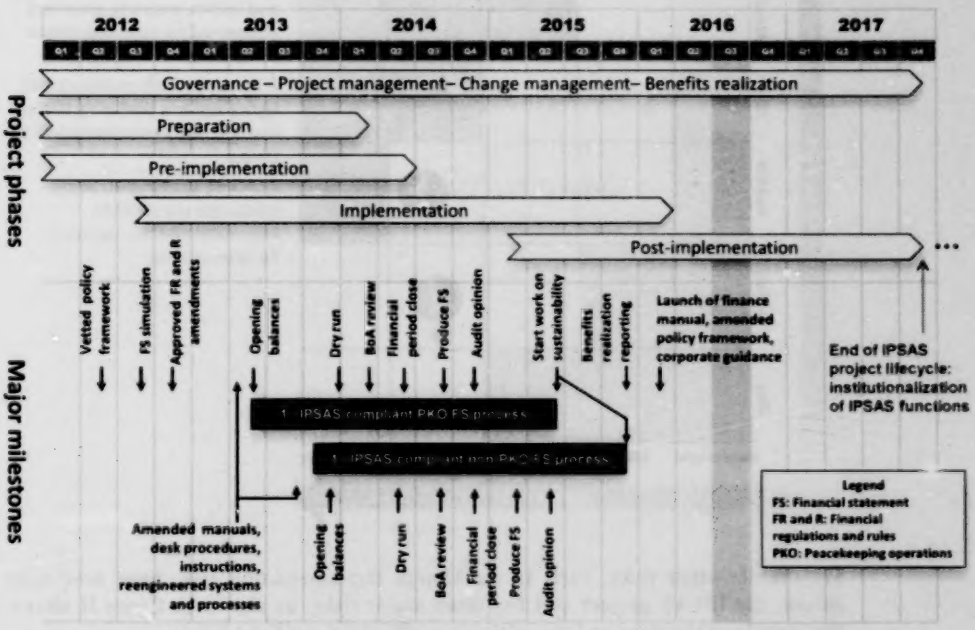
II. Sustaining compliance with the International Public Sector Accounting Standards at the United Nations

A. Overview

7. As can be seen from figure I below, the United Nations IPSAS project is now in its post-implementation phase, with a focus on sustainability activities, as outlined in the IPSAS sustainability plan comprising five work pillars. The components of the plan were presented to the General Assembly in the previous progress report (A/70/329).

8. The present report outlines the progress achieved under the five pillars of sustainability efforts and sets out the plan to institutionalize the residual functions of the IPSAS project team in the operations of the Office of Programme Planning, Budget and Accounts as the project draws to an end by the end of 2017.

Figure I
Project phases and major milestones



B. Governance and project oversight

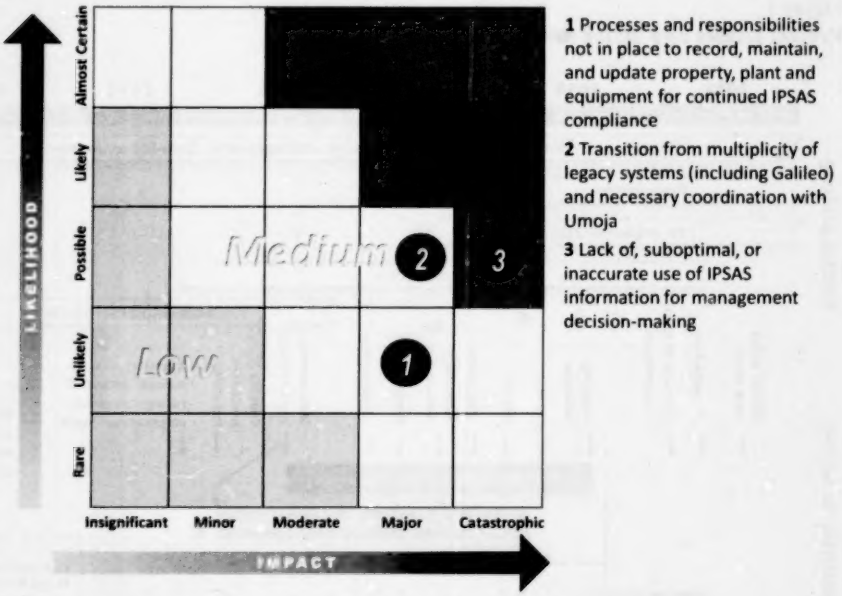
9. The IPSAS Steering Committee will continue to meet on a quarterly basis through the end of the project lifecycle, December 2017, to review progress and manage risks. In August 2015, the terms of reference of the Committee were updated to focus on the sustainability deliverables of moving from legacy systems to Umoja as the book of record for recording transactions and preparing financial statements; securing long-term sustainability for IPSAS compliance, especially with

regard to training and institutional support; analysing financial information; addressing how to raise the level of financial management knowledge across the Organization; and working with the IPSAS Board, the Board of Auditors and internal stakeholders.

10. The Independent Audit Advisory Committee will continue to assist the General Assembly in fulfilling its oversight responsibilities on IPSAS-related issues until the end of the project lifecycle. The project assurance role will continue through the end of the project lifecycle to gauge performance and verify whether deliverables meet the defined requirements and are fit for purpose and that tangible progress is being made towards realizing IPSAS benefits.

C. Risk management

Figure II
Heat map of IPSAS sustainability risks



11. While other risks, such as the Umoja implementation risk, have now been closed, the IPSAS project still has three major risks, as shown in figure II above. The details of the risks and the mitigation efforts are outlined below.

12. Property management and its impact on asset accounting is an area of concern, given that there is a lack of sufficient knowledge and documented processes. To address this major risk, a property management initiative led by the Office of Central Support Services in coordination with the IPSAS team was launched to identify and address the major challenges faced by offices and field missions post-IPSAS and Umoja implementation in key property management/asset accounting areas, in order to safeguard the sustainability of IPSAS compliance.

Seven three-day workshops were delivered, in New York, Geneva, Brindisi, Italy, Nairobi, Beirut, Santiago and Entebbe, Uganda. Staff from more than 35 duty stations attended, including field missions, Headquarters, offices away from Headquarters and the tribunals, with over 150 staff members participating in the workshops.

13. The recommendations of the property management outreach initiative are threefold and involve the property management framework, the community and staff resources. The property management framework needs to be reinforced by ensuring that processes and procedures for key property management areas are developed and supported by training, community-building and guidance. There is also a need to integrate the property management functions through a change in thinking, culture and ways of working. In terms of staffing resources, the property management structure needs to be reviewed and staff resourcing issues addressed with the expeditious filling of the Fixed Asset Management Officer positions where vacant.

14. Another major risk to IPSAS sustainability is the continued use of the legacy system Galileo for asset accounting in the field missions; that risk is being addressed through the Galileo decommissioning project was launched in December 2015. The project team, supported by Umoja business analysts, completed the plan analysis phase of the project in January 2016. Data conversion and deployment are expected to be carried out up to the middle of the third quarter of 2017, after which Galileo is expected to be decommissioned and Umoja asset accounting is expected to be deployed to all field missions. Until the deployment, estimated values will continue to be used for equipment and inventory in the financial statements. Through its participation in the Umoja Steering Committee, the IPSAS project team has been actively involved and is tracking the progress in this deployment.

15. A new risk identified is the lack or suboptimal use of IPSAS information for management decision-making. This risk is being mitigated through: (a) the planned launch of the Finance Manual and upcoming deployment of training on financial statement analysis; and (b) the capture and analysis of how IPSAS information is being used and the strengthening of the finance analytical function in the Office of Programme Planning, Budget and Accounts.

D. Sustainability of the International Public Sector Accounting Standards

16. As detailed in the previous progress report, five major components have been identified as the core pillars of the sustainability efforts. These sustainability pillars, which are currently being rolled out, include the management of IPSAS benefits; the strengthening of internal controls, leading to the issuance of a Statement on Internal Controls; the management of the IPSAS regulatory framework; the strengthening of Umoja as the backbone for IPSAS-compliant accounting and reporting; and training and skills development. Following are highlights on progress in each of the pillars and the results achieved so far:

IPSAS benefits management

17. Since its inception, the benefits realization pillar has advanced significantly in all five major benefit categories, identified as alignment with best practice; improved stewardship of assets and liabilities; more comprehensive cost information; improved consistency and comparability; and enhanced transparency

and accountability. The five benefit categories have been broken down further into 15 individual envisaged benefit areas. One or several key performance indicators have been attached to each benefit to facilitate monitoring and verifying progress.

18. In order to effectively collect information from departments, offices and missions across the Organization, a reporting mechanism translating key performance indicators into actionable activities and information requirements was put in place as part of the deployment of the sustainability plan. IPSAS focal point managers regularly provide qualitative and quantitative results using this mechanism with biannual summary reporting to the IPSAS Steering Committee.

Benefits realization approach

19. Since the previous progress report, the IPSAS team has continued to monitor and report on the realization of IPSAS benefits by departments, offices and field missions across the Organization. The contribution to IPSAS sustainability efforts, including benefits realization and management, remained part of the senior manager compacts during the reporting period, enhancing accountability and ensuring management attention.

20. Based on comments provided during the first reporting cycle, in August 2015, the IPSAS benefits tracking mechanism was revised to simplify the reporting process and improve data collection, verification and summary reporting. A series of videoconference training sessions were conducted to clarify tracking and reporting requirements and increase awareness of the importance of the IPSAS benefits realization efforts among reporting managers. Further, the IPSAS benefits realization awareness training referred to under the skills development pillar was deployed.

21. A second IPSAS benefits realization reporting cycle was launched in February 2016 and concluded in June. As a result of the improved reporting mechanism and multiple training sessions, the response rate of offices reached almost 100 per cent and the quality of data provided improved, which jointly allowed for a positive assessment of the impact of IPSAS on various areas of activities.

IPSAS benefits realized

Category A: Alignment with best practices

22. Since the adoption of IPSAS in financial year 2014, the United Nations Secretariat has received clean audit opinions for all of the 13 sets of financial statements.[1] This signifies a major accomplishment for the Organization and provides assurance to all stakeholders that IPSAS-compliant accounting policies and processes are robust.

23. The achievement of clean audit opinions by the Organization's reporting entities is clear evidence of IPSAS compliance and alignment with best practice in financial reporting. This is clear confirmation of having realized the first IPSAS

[1] The United Nations produces 13 financial statements, as follows: Volume I: Non-peacekeeping activities, volume II: Peacekeeping operations, International Trade Centre, United Nations University, United Nations Institute for Training and Research, United Nations Compensation Commission, United Nations Environment Programme, United Nations Human Settlements Programme, United Nations Office on Drugs and Crime, the Tribunals (International Residual Mechanism for Criminal Tribunals, International Criminal Tribunal for Rwanda and International Criminal Tribunal for the Former Yugoslavia) and United Nations Escrow Account.

benefit of alignment with best international practice for accounting and reporting. This validation by external oversight bodies not only demonstrates improved quality of financial reporting but also enhances its credibility.

24. The number of transitional provisions applied in the preparation of the financial statements was kept to a minimum, with their planned phasing out within the timeline as set out in IPSAS requirements.

25. The ability to timely submit IPSAS-compliant financial statements, effective collaboration with external auditors and the comments received from offices validate the competency and robustness of both the staff and processes in place for the sustainability of IPSAS compliance at the Organization.

Category B: Improved stewardship of assets and liabilities

26. The Organization's processes in asset management significantly improved following the implementation of IPSAS. Offices across the Secretariat reported almost 100 per cent asset verification rates, confirming that asset holdings are accurately reflected in the accounting records and financial statements. Under asset management, multiple examples of more rigorous control of asset holdings owing to better data visibility have been reported, with levels of assets being reviewed regularly. Several missions reported on efforts to decrease the level of inventories and demonstrated changes in holdings since the first year of IPSAS adoption. At the same time, it should be noted that those efforts cannot be fully attributed to IPSAS alone but, in several instances, are a combination of factors, namely, changes made in the context of the Global Field Support Strategy, Umoja and supply chain initiatives. IPSAS has nevertheless heightened the visibility of those issues and triggered related management actions.

27. Offices started to pay more attention to after-service health insurance liabilities accrued and started setting aside funding related to extrabudgetary-funded activities following the IPSAS requirement to reflect all outstanding after-service health insurance liabilities in the financial statements. The Secretariat, as a next step, is developing policies, which will ensure that funding is set aside for extrabudgetary-related after-service health insurance liabilities on an organization-wide basis.

28. IPSAS requirements have also triggered more comprehensive documentation and rigorous review of outstanding legal claims when reporting on provisions and contingent liabilities. Analysis showed that, in some cases, initially assumed potential obligations of the Organization could be decreased by 60 to 80 per cent after the review by legal officers and the IPSAS team for proper reflection in the financial statements, setting the stage for better planning and budgeting. Reporting on disciplinary cases also leads to better management and effective implementation of management decisions.

Category C: Availability of more comprehensive cost information

29. Reporters on IPSAS benefits became more active in reviewing unliquidated obligations/commitments and outstanding receivables as a result of IPSAS requirements and increased visibility of data via Umoja, thereby improving budgetary management. Offices also showed better budget consumption and were able to enhance their processes to manage the gap between the amounts appropriated and those actually spent. In terms of improved financial management

practices as a whole, reporters specified improved asset management, better budget consumption, expenditure visibility and better understanding of an entity's financial position owing to the combined effect of IPSAS and Umoja. Further improvements are expected after Umoja reaches its full functionality.

Category D: Improved consistency and comparability

30. In the consistency and comparability category, trends will become clearer after IPSAS has been consistently applied for a longer period of time. An important factor will be to increase the use of IPSAS-related information and financial indicators by senior management for decision-making purposes.

Category E: Increased transparency and accountability

31. Under improved transparency and accountability, reporting managers provided multiple examples of how day-to-day operations of programme managers have changed in the new accounting environment. Most of them are related to better visibility of the programme financial position, available assets and cash flow. Additionally, missions provided assurances that, with the help of the monthly closing report, they were able to regularly review their financial management practices.

Conclusion of benefits realization

32. The impact of IPSAS is evident from the multiple qualitative improvements in the way the Organization is managed. Anecdotal evidence also showed some quantitative impact over time related to asset adjustments and better management of provisions.

33. Based on analysis of the reported data, some benefits and key performance indicators originally envisaged in the forward-looking IPSAS benefits realization plan, which was developed and implemented concurrently with the first year of the adoption of IPSAS, proved to be of less importance at this stage and will be either reformulated or discontinued. Consequently, reporting and tracking will be adjusted as needed.

34. Following the request by the General Assembly in its resolution 69/262, the IPSAS team identified an additional benefit relating to assets provided by host countries to peacekeeping missions and other United Nations offices. According to IPSAS requirements, assets that have been donated to the Organization are recognized as contributions in kind in the financial statements. When title is transferred without restrictions, assets are treated as United Nations-owned assets and reported accordingly. However, when only the right to use the assets is donated to the Organization without granting of ownership, the arrangement is treated similarly to an operational lease and the rental value equivalent of the underlying asset is treated as revenue and expense; when the right to use the assets is donated for a long term, the arrangement is treated similarly to a finance lease. This allows for a more comprehensive understanding of the Organization's assets and liabilities as well as its revenue and expenses.

Strengthening internal controls

35. During the reporting period, the Organization updated its original plans as described in the previous progress report (see A/70/329, paras. 49-51) and defined

its approach to strengthening internal controls. The approach, which will be based on an organization-wide assurance process supporting the issuance of a Statement on Internal Controls, will require all heads of departments, offices and missions to submit an annual assurance statement to the Controller affirming that internal controls are present and functioning in their respective areas of responsibilities. Managers will be supported in their efforts by self-assessment checklists, communication and training materials, as well as hands-on training in assessing internal controls locally. As indicated in the previous report, the integrated internal control framework of the Committee of Sponsoring Organizations of the Treadway Commission will serve as the conceptual framework when defining the internal control components and control activities for the mitigation of related risks.

36. When defining the Organization's approach and its implementation strategy and plan, a lessons learned exercise was performed by assessing the experiences gained by the World Food Programme (WFP) and the United Nations Educational, Scientific and Cultural Organization (UNESCO), which were the first United Nations system entities to implement a Statement on Internal Controls, and by the United Nations Joint Staff Pension Fund, which started its approach in 2015, in order to identify best practices that could be applied to the United Nations.

37. Given that enterprise risk management and internal controls are two integrated areas, an assessment of how risk information generated during the assurance process could be integrated into the overall enterprise risk management approach was performed in order to ensure alignment.

38. The immediate next steps will require setting the Organization's internal control objectives, defining content for the self-assessment checklists and assurance statements based on a mapping of existing internal controls against the requirements of the Committee of Sponsoring Organizations of the Treadway Commission, informed by the most recent and recurrent audit findings, and taking into account existing system controls in Umoja as well as management judgement on internal control requirements and effectiveness.

39. As initially planned, this phase will be followed by a pilot exercise, planned for late 2016, in selected peacekeeping missions in order to test the assurance process and deliverables, which will lead to further refinements prior to the full roll-out to peacekeeping in early 2017 and to non-peacekeeping entities in the fall of 2017. The roll-out will be accompanied by on-site training in all major locations, combining, to the extent possible, several entities in one training event.

40. Depending on the results of the initial assurance process, the issuance of a Statement on Internal Controls is being considered to accompany the financial statements for the financial year 2016/17 for peacekeeping operations and for the financial year 2017 for the non-peacekeeping operations.

Managing the regulatory framework

41. Maintaining an up-to-date IPSAS regulatory framework requires a dedicated process to validate all newly developed policy documents and process all changes to existing regulatory and procedural documents with potential impact on the regulatory framework. This is part of the sustainability efforts for IPSAS compliance that will be institutionalized in the operations of the Accounts Division by the end of 2017.

42. The current workplan of the IPSAS Board contains a significant number of issues that have implications for financial reporting at the United Nations. It therefore needs close monitoring and active participation to influence the outcome and prepare for any necessary changes to the IPSAS policy framework, Umoja and other processes and procedures. Below are the major areas for which standards are being developed or considered for change:

(a) Financial reporting for heritage items: This is a new standard being developed, with significant implications for financial reporting owing to the high volume of such items held by the United Nations. Currently, IPSAS does not require heritage items to be recognized on the financial statements and any inclusion by disclosure is optional. However, the proposed standard would make the inclusion of any such items in the financial statements mandatory. The scope and coverage of such items is still under discussion. The current workplan shows projected approval of a final standard in the second half of 2019;

(b) Revenue and non-exchange expenses: The IPSAS Board is looking at the exchange (earned) and non-exchange (assessed and voluntary contributions) revenue and coming up with further changes to or replacements for IPSAS 9 and 23, reflecting the complexities of the project. Approval to start the consultation paper will be in December 2016. This area has significant implications for the Organization given that a significant amount of revenue comes from non-exchange transactions and a significant amount is spent on non-exchange expenses; the latter area has no single specific standard. It is therefore vital that the United Nations monitor and participate in the development of standards in this area;

(c) Leases: The approval of an exposure draft is projected for March 2017, which will cover complex issues of sale and leaseback transactions, lessor accounting and nominal or donated right-to-use arrangements, which are prevalent in the United Nations;

(d) Employee benefits: A new standard dealing with financial reporting of employee benefits, including actuarial gains or losses, was approved; the standard will become effective from 1 January 2018;

(e) Accounting for public sector combinations:

A standard is under development, with an exposure draft issued in 2016; the work of the Board in this area will impact the combining of the operations of the Tribunals (the International Residual Mechanism for Criminal Tribunals, the International Criminal Tribunal for the Former Yugoslavia and the International Criminal Tribunal for Rwanda).

43. The IPSAS Board continues to develop and update standards that have an impact on IPSAS compliance by the United Nations, hence, the need to have dedicated resources to monitor and participate in the process in order to sustain IPSAS compliance. Any new IPSAS requirements have to be translated into changes to the IPSAS policy framework, corporate guidance, Finance Manual and other operational and procedural documents and may result in changes to Umoja accounting processes.

Strengthening of Umoja as the backbone for IPSAS-compliant accounting and reporting

44. The continued strengthening of Umoja is crucial to long-term IPSAS sustainability. The IPSAS team will continue to play a major role in the following areas for IPSAS sustainability in the Organization: continued development of the IPSAS/Umoja Finance Manual; the automation of the financial statement process; and the plan to deploy Umoja for asset accounting in the field missions.

Finance Manual

45. Work on the Finance Manual continued during the reporting period. The Finance Manual combines IPSAS policies with step-by-step Umoja processes to educate finance users not only on IPSAS requirements but also on the practical steps to complete an IPSAS-compliant transaction in Umoja.

46. A website has been developed to host the Finance Manual. This allows the manual to be clickable, searchable and user-friendly. The manual covers the various Umoja modules that capture transactions and are the bedrock for IPSAS financial reporting. At completion, the manual will have a dedicated chapter on the financial statements automation process.

47. As Umoja evolves and more finance processes are added to it, the Finance Manual will be updated; work on the manual is therefore expected to be ongoing. The first version of the Finance Manual will be launched by the end of 2016.

Automation of the financial statements (Business Planning and Consolidation module)

48. The Umoja financial statements preparation sub-project was launched to automate the process of financial statement preparation via an Umoja solution. The scope of the project is to add as much automation as possible to the production of all the financial statements for the United Nations Secretariat reporting entities that are in Umoja. The first set of official financial statements to be generated from Umoja will be for peacekeeping operations (United Nations volume II) for the financial period ended 30 June 2016. This solution being implemented for the automation of the financial statements preparation is called the Business Planning and Consolidation module.

49. The purpose of Business Planning and Consolidation is to automate and speed up the close of the financial period. It offers the possibility of standardizing the process of financial statement preparation. Because Business Planning and Consolidation has a central database, no stand-alone spreadsheets will be required during the process of financial statement preparation. The user interface is intuitive given that Business Planning and Consolidation is accessed mainly through Microsoft Excel. The financial statements and the notes will be developed in Business Planning and Consolidation. It contains tools to execute currency translation, perform inter-entity eliminations and to run controls to ensure consistency of data.

50. At the end of 2015, the first Business Planning and Consolidation prototype was developed containing the Statements of Financial Position and Financial Performance for volume II based on data in the development system. Subsequently, a combined blueprint for the financial statements of volumes I and II was developed, taking into consideration, to the extent possible, the requirements of the

other reporting entities, in order to standardize the process and output of the financial statements wherever possible across the various financial statements of the Secretariat reporting entities.

51. The benefits of Business Planning and Consolidation include a streamlined process for consolidated financial statements underpinned by a centralized data repository of Business Planning and Consolidation with up-to-date Umoja data. The Organization will have access to harmonized financial statements and notes tables. It is expected to reduce the time spent on consolidation and elimination processes.

52. Business Planning and Consolidation will produce clear and transparent financial statements and notes through an automated process centrally controlled at Headquarters. This process will ensure that all data and adjustments to be uploaded are fully documented and stored with a distinctive audit trail in the Business Planning and Consolidation system. Hence, Business Planning and Consolidation will provide a single, centralized view of Umoja data and generates clearer and more transparent financial statements and notes.

53. To date, 49 reports have been built for volume II, covering the financial statements and the notes as well as the necessary forms for manual data input where necessary, system controls for data consistency and elimination rules. The Umoja Business Planning and Consolidation functionality is expected to go live by the end of July 2016 for the production of the volume II financial statements as at 30 June 2016.

54. The next phase of the automation of the financial statements has already started and it is envisaged that Business Planning and Consolidation for volume I and the financial statements of eight other Secretariat reporting entities that are in Umoja will be implemented by the end of 2016.

Plan to deploy Umoja for asset accounting in field missions

55. Umoja has been progressively rolled out across the United Nations Secretariat. Umoja records all information regarding fixed assets (defined as property, plant and equipment under IPSAS), equipment masters (items below the capitalization thresholds) and inventory in Umoja for cluster 3 and 4 entities.

56. Although field missions use the Umoja fixed asset sub-ledger to record cost, accumulated depreciation and useful life for real estate and infrastructure assets, they currently are still using a legacy system to track detailed information (including cost, depreciation and useful life) in relation to equipment assets and assets under construction. Galileo is used by field missions to track information related to equipment assets and a file is prepared from Galileo with cost and accumulated depreciation information for financial statements preparation. Assets under construction are managed on spreadsheets using detailed costing information.

57. The Umoja fixed asset sub-ledger contains information on each individual asset, including cost, depreciation and useful life. Assets are automatically recorded upon receipt based on the material master used during the procurement process, which also classifies the item correctly into its property, plant and equipment sub-class. Further, Umoja calculates and centrally posts depreciation in accordance with the IPSAS policy framework.

58. The envisaged deployment of Umoja to peacekeeping and special political missions for property, plant and equipment and inventory assets is the next major

undertaking where the expertise of the IPSAS team will be required. The equipment and inventory assets in both peacekeeping and special political missions are currently managed in Galileo; the real estate (building and infrastructure) assets in those missions are managed in Umoja, but the related transactions are not processed using its full functionality. A comprehensive project plan covering the resource requirements, time frames, data conversion strategies and methods has been developed.

59. In September 2017, all fixed assets will be migrated into Umoja; the number of assets expected to be converted is around 73,000 individual items. The Galileo decommissioning project has been tasked with data cleansing and the development of the system enhancements necessary before conversion. After conversion is complete, all future purchases of fixed assets will be automatically capitalized and the appropriate asset master created automatically in the system; depreciation will then be run centrally and manual adjustments outside the fixed asset sub-ledger to property, plant and equipment for mission assets will no longer be necessary. The conversion of these balances will provide visibility on fixed asset balances on the Statement of Financial Position in real time, allowing more effective monitoring. That should lead to efficiency gains in the management of assets given that detailed information will be easily and centrally available for financial, budgetary and operational purposes.

60. The full Umoja assets under construction solution is also to be rolled out to field missions in September 2017. Once rolled out, the manual processes to capitalize assets under construction balances can be discontinued and missions will be able to track such balances using cost collectors set up with investment profiles and run the settlement to capitalize monthly.

61. It is also worthwhile noting that all field mission inventory balances (including strategic deployment stocks) will also be migrated to Umoja in September 2017. In accordance with the Galileo decommissioning project data conversion strategy, all Galileo material records will be migrated to Umoja and financial assets will be fully converted in accordance with Umoja data conversion standards. The decommissioning project team expects to migrate/convert nearly 31,000 material types/records with a historical value of $3.1 billion (including financial and non-financial inventory balances). These balances are currently posted manually in Umoja for financial statement reporting based on information from Galileo. All items operationally stored as inventory will be recorded as inventory and an adjustment will be recorded for financial statement purposes to reclassify non-financial inventory. Having detailed information regarding inventory balances by plant location will allow the Organization to have in-depth information regarding the division of financial and non-financial inventory centrally available and to ensure that the information is available readily for financial statement reporting and budgeting purposes.

62. The conversion of equipment and inventory assets to Umoja, the decommissioning of Galileo and the processing of real estate transactions using the full functionality of Umoja requires resources with expertise in IPSAS and Umoja. In that respect, the IPSAS team is expected to play a vital role in ensuring that the conversion is carried out in line with IPSAS requirements.

Training and skills development

63. Each IPSAS sustainability pillar is supported by skills development to build the technical expertise to apply IPSAS and to support financial reporting in compliance with IPSAS.

64. Following a comparison of the programmes offered by different international professional accounting bodies and based on the experience of other United Nations system organizations, the Organization decided to implement the International Public Financial Management professional certification offered by the Chartered Institute of Public Finance and Accountancy. The certification has been successfully implemented in six United Nations system organizations (United Nations Development Programme, United Nations Children's Fund, World Health Organization, UNESCO, WFP and United Nations Population Fund) following different approaches in terms of (a) the number of modules studied each year; (b) the exemptions on study modules for professionals who already have an accountancy designation from another professional accounting body; and (c) the profile of the staff allowed to enrol in the programme. Successful completion of the International Public Financial Management qualification leads to full Chartered Public Finance Accountant status. Based on the high exigency that the qualification places on learners, the full programme is equivalent to a Master's degree, which can be achieved in approximately three years.

65. In order to design the best path to implementation, a pilot was initiated in September 2015. For the pilot, two staff members of the Office of Programme Planning, Budget and Accounts enrolled in the programme starting at the certificate level and two staff members sought exemptions to start at a more advanced level. With the experience gained from the pilot, a wider implementation will be the focus in the upcoming months. Main activities already under way are: (a) the establishment of the internal structure that will manage the logistics of the programme; and (b) work on satisfying the requirements to establish a procurement contract with the Chartered Institute of Public Finance and Accountancy. Subsequent activities will include the socialization of the qualification among offices to promote the nomination of candidates to participate in the programme and active engagement to advance towards full certification.

66. Additionally, the following capacity-building activities were conducted during the reporting period: (a) advanced training on financial statement preparation aimed at senior finance officers and key finance personnel from special political missions and offices away from Headquarters, held in New York in December 2015, with the attendance of more than 100 people between participants and presenters from the Office of Programme Planning, Budget and Accounts and the Umoja team; (b) one financial statement preparation workshop held in Entebbe, Uganda in June 2016 for finance and budget officers from peacekeeping operations, jointly facilitated by the Office of Programme Planning, Budget and Accounts/Accounts Division and the Office of Programme Planning, Budget and Accounts/Peacekeeping Financing Division; and (c) seven workshops to further rationalize the approach to property management by leveraging the Umoja and IPSAS initiatives and building capacity to mainstream the newly available property management framework of policy, guidance, training and certification.

67. Lastly, one computer-based training activity on the importance of benefits realization was launched and is currently available in Inspira, while the content of a computer-based training activity on IPSAS awareness had been developed and is

awaiting technical development by the Office of Information and Communications Technology.

E. Project budget and expenditure

68. The General Assembly, by its resolution 60/283, approved the resources for the implementation of IPSAS.

69. The United Nations IPSAS team comprises three funded from the regular budget[2] and four general temporary assistance positions under the support account for peacekeeping operations. Additionally, a team of consultants supports the sustainability activities of the IPSAS project and the work towards institutionalizing them.

70. The table below presents a breakdown by funding source of the initial appropriations and expenditures for the biennium 2016-2017 as at 30 June 2016. The IPSAS implementation project indicative budget of $27 million, prior to the detailed planning of the sustainability activities, comprises $12.8 million from the support account, $10 million from the regular budget and $4.2 million from extrabudgetary resources (see A/67/564, para. 17). The expenditure to 30 June 2016 is $24 million, excluding $4.2 million cumulative expenditures under extrabudgetary funds. An additional $2.5 million has been approved under the 2016/2017 support account, in combination with the already approved $1.24 million regular budget resources for the 2016-2017 period.

Project budget and expenditure for IPSAS adoption at the United Nations

(Thousands of United States dollars)

Object of expenditure	*Expenditure[a] 2006-2013*	*Expenditure 2014-2015*	*Initial appropriation 2016-2017*	*Expenditure[a,b] as at 30 June 2016*	*Total expenditure 2006-2016*
Regular budget					
Posts	3 968.7	1 270.4	938.8	216.2	5 455.3
General temporary assistance	944.2	–	5.1	–	944.2
Consultants	272.9	–	–	1.1	274.0
Travel	282.7	31.1	89.0	2.9	316.7
Contractual services	51.5	22.5	22.0	–	74.0
Other	101.5	80.4	23.7	23.3	205.2
Section 29B Office of Programme Planning Budget and Accounts	**5 621.5**	**1 404.4**	**1 078.6**	**243.5**	**7 269.4**
Section 32, Jointly financed activities	1 710.9	237.1	161.7	–	1 948.0
Subtotal	**7 332.4**	**1 641.5**	**1 240.3**	**243.5**	**9 217.4**
Support account for peacekeeping operations					
General temporary assistance	2 831.9	1 828.7	1 375.3	401.3	5 061.9
Consultants	5 467.4	2 438.7	3 284.0	554.5	8 460.6

[2] Four posts until December 2015, when one P-3 post was abolished.

Object of expenditure	*Expenditure[a] 2006-2013*	*Expenditure 2014-2015*	*Initial appropriation 2016-2017*	*Expenditure[a,b] as at 30 June 2016*	*Total expenditure 2006-2016*
Travel	396.8	729.0	511.0	93.6	1 219.4
Other	14.2	24.4	110.1	0.4	39.0
Subtotal	**8 710.3**	**5 020.8**	**5 280.4**	**1 049.8**	**14 780.9**
Total	**16 042.7**	**6 662.3**	**6 520.7[d]**	**1 293.3**	**23 998.3[c]**

[a] Expenditure on a budget basis.

[b] Actual expenditures to 30 June 2016 as at 25 July 2016.

[c] Cumulative expenditure does not include expenditures of $4.2 million under extrabudgetary funds incurred by regional commissions and offices away from Headquarters.

[d] Represents the prorated approved appropriation for the period from 1 January to 30 June 2016, the approved allotment for the peacekeeping period from 1 July 2016 to 30 June 2017 and the prorated estimated amount for the peacekeeping period from 1 July to 30 December 2017.

III. International Public Sector Accounting Standards and the United Nations system

71. Twenty-four organizations of the United Nations system completed their IPSAS implementations successfully by 2015 and continue to receive unqualified audit opinions. These results attest to the capability of the United Nations system to both adopt IPSAS and sustain compliance with IPSAS in order to improve the quality of financial reporting, enhancing transparency and accountability.

72. With all organizations now in the post-implementation period, the key activities of the United Nations system Task Force on Accounting Standards are geared towards sustaining IPSAS compliance and the realization of the planned benefits of IPSAS implementation. This is achieved by focusing on enhancing the comparability of the organizations' policies and approaches to financial reporting, which is one of the main planned dividends of IPSAS implementation. Some of these post-implementation activities come with challenges.

73. One of the key contributing factors in respect of sustaining IPSAS compliance is the ongoing engagement by the Task Force with the IPSAS Board. The Board continues to update standards and issue guidance in response to user needs and changing environments, seeking public comments before a standard is finalized. Monitoring the work of the IPSAS Board and providing feedback on its documents on behalf of the Task Force is one of the key activities of the system-wide IPSAS project team. The team, guided by the Task Force, participated in quarterly meetings of the Board and kept Task Force members updated on new pronouncements and upcoming projects in order to assess the risks for the United Nations system. The Board's current and future projects with potential significant impact to the United Nations are those on leases, heritage assets, financial instruments, exchange and non-exchange revenue and non-exchange expenses.

74. In December 2014, the Finance and Budget Network endorsed the revised terms of reference and the proposed budget of the United Nations system-wide IPSAS project for 2016-2017. Under the revised terms of reference, the activities of the project team, which was further reduced to one P-5, were regrouped into two

main categories: (a) technical; and (b) facilitation and communication, to prioritize the objectives and reflect the reduced scope of work.

75. The system-wide IPSAS project resource continues to support the Task Force by (a) actively monitoring the activities of the IPSAS Board and briefing the Task Force on the changes and potential challenges stemming from the IPSAS Board's pronouncements and ongoing projects, coordinating IPSAS-compliant financial reporting diversity and providing guidance and support in areas of special interest identified by the Task Force; and (b) facilitating Task Force meetings and supporting activities of the thematic working focus groups and communication with high-level committees and external auditors.

76. Some of the tasks carried out by the project team in 2015 included a review of terminology used in IPSAS-compliant financial statements of the United Nations system organizations with the goal of increasing their comparability and a detailed review of the IPSAS Board's recently issued conceptual framework, which has the potential to impact new and existing IPSAS standards.

77. In 2015, the Task Force commissioned thematic working focus groups led by members of the Task Force to: (a) develop tools for the analysis of useful economic lives and impairment of property, plant and equipment; (b) review requirements of the newly issued IPSAS standards 34 to 38 on accounting for interest in other entities; and (c) address financial reporting issues in the areas of common premises and inter-agency balances. The working focus groups achieved considerable progress and produced a number of deliverables actively used by the Task Force community, such as property, plant and equipment analysis tools and an e-platform for United Nations agency partners. Some of these thematic groups continued their activities in 2016. In addition, the Task Force added new topics to the 2016 workplan, which include a review of system-wide approved useful economic lives of property, plant and equipment, harmonization of after-service health insurance accounting and valuation methodologies across the United Nations system and streamlining accounting for accrued liabilities attributable to the jointly financed activities.

IV. Streamlining the IPSAS processes

78. As at the end of 2014, the United Nations had presented IPSAS-compliant financial statements of all 13 financial reporting entities. The 2015 financial statements for the peacekeeping operations received an unqualified audit opinion; the audits of the 2015 non-peacekeeping financial statements are still in progress, but the indications are that the audit opinions will be unqualified. Further, the Organization is now on track to produce the third set of IPSAS-compliant financial statements for peacekeeping operations for the year ended 30 June 2016. This speaks to the success of the IPSAS sustainability activities currently being driven by the IPSAS team. The IPSAS team as a separate organizational unit will be decommissioned on 31 December 2017. However, as pointed out in the seventh progress report of the Secretary-General (A/69/367), it has been recognized that, beyond the post-implementation phase of the IPSAS project, there will remain a need to maintain a supporting structure within the Organization that will lead the long-term sustainability of IPSAS compliance. To that end, a review has been undertaken to identify the residual functions of the IPSAS team that should be

institutionalized to support continued IPSAS compliance, including the streamlining of IPSAS-compliant processes into the day-to-day operations of the Organization.

79. As a result of this review, it is proposed that a supporting structure to drive continued IPSAS compliance be established in the Office of Programme Planning, Budget and Accounts. This proposed compliance and assurance structure, which will support the global United Nations Secretariat, would consist of the following units:

(a) Accounting Policy Unit:

(i) The Accounting Policy unit will lead the engagement with the IPSAS Board, monitoring the development and changes to IPSAS, including actively providing input to influence the outcome as a risk management approach to changes emanating from new and revised standards;

(ii) The unit will maintain the IPSAS policy framework, in coordination with the finance communities in the offices away from Headquarters by updating policies and the corporate guidance and initiating changes to the United Nations Financial Regulations and Rules in keeping with changes to IPSAS;

(iii) The unit will maintain the Finance Manual, which blends IPSAS policies and Umoja processes, providing a reference point and training tool for the recording of IPSAS-complaint transactions in Umoja;

(iv) The unit will support training and knowledge-building in the area of IPSAS-compliant accounting and financial management and will support the professionalization programme to upgrade the skills of the finance community;

(b) Umoja Coordination Unit:

(i) The Umoja Coordination Unit will be responsible for the maintenance of the chart of accounts in Umoja and will vet all requests for changes/updates to the Umoja coding block that impact financial accounting and reporting;

(ii) The unit will also be responsible for the functional administration tasks relating the Business Planning and Consolidation automation platform and for the accurate running of the Umoja batches that impact financial accounting and reporting, including the investigation and correction of irregular entries produced by the automated batches. From a functional perspective, this unit will support issues related to interfaces, future Umoja deployments and software upgrades;

(iii) The unit will support the preparation of functional specifications for any changes to the Umoja Enterprise Central Component, Business Intelligence and Business Planning and Consolidation that impact IPSAS-compliant financial accounting and reporting. It will conduct diagnostics to ensure that the Umoja modules, ledgers and sub-ledgers are kept in sync to support financial accounting and reporting. The unit will support the building of dashboards and reports and the provision of analytical data for financial analysis;

(c) Asset Accounting Unit:

(i) The Asset Accounting Unit will work directly with asset management officers to ensure accurate IPSAS-compliant accounting and reporting of

property, plant and equipment, intangible assets and inventory, including assets under construction, via Umoja across the Organization; the unit will support asset accounting for both peacekeeping and non-peacekeeping operations;

(ii) The unit will work directly with asset management officers to strengthen operational processes that support IPSAS-compliant asset accounting, working with property managers to conduct ongoing reviews of the useful lives of assets, recognition thresholds, standard costs and other operational policies that impact IPSAS-compliance;

(iii) The unit will support training and knowledge-building in the area of IPSAS-compliant assets accounting in Umoja;

(d) Assurance and Monitoring Unit:

(i) The Assurance and Monitoring Unit will be responsible for ensuring reasonable assurance over the reliability of data that flow into the financial statements of the reporting entities of the Secretariat and the data in Umoja that are used for financial analysis and decision-making;

(ii) The unit will participate in activities that strengthen internal controls over financial accounting and reporting and controls over operational activities that impact financial reporting; the unit will monitor transactions in Umoja, looking for indicators of errors and irregularities, and will initiate the corrective actions. The unit will support the management of the framework that will support the Statement on Internal Controls;

(iii) The unit will support the management of the Umoja role assignment and user access, taking segregation of duties and delegation of authority into consideration, and support the setup and strengthening of appropriate workflows in the system.

80. The proposed units would be staffed largely from currently approved resources: the established regular budget posts currently assigned to the IPSAS project (three posts) and four posts deployed from existing resources of the Financial Reporting Service of the Accounts Division. Further, a request will be made for three positions (two P-4s and one P-3) under the support account for peacekeeping operations in the 2017-2018 period. These four proposed units would secure the long-term sustainability of IPSAS compliance across the global United Nations Secretariat and would support the use of IPSAS-triggered information to better manage the Organization.

V. Actions to be taken by the General Assembly

81. The General Assembly is requested to take note of the present report, including the plan to support continued IPSAS compliance, as well as the streamlining of IPSAS-compliant processes into the day-to-day operations of the Organization.